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THE MAGAZINE FOR GROWING COMPANIES

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JUNE 1985
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NETWORKING '85 WELCOME TO THE AGE OF COLLABORATION!

Why chief executives are banding together to solve one another's problems.

PLUS

STRATEGIC ALLIANCES: Forging new relationships between large and small companies

WHO'S IN CHARGE HERE? The case of the founder who hired his own boss

Members of Southern California Technology Executives' Network

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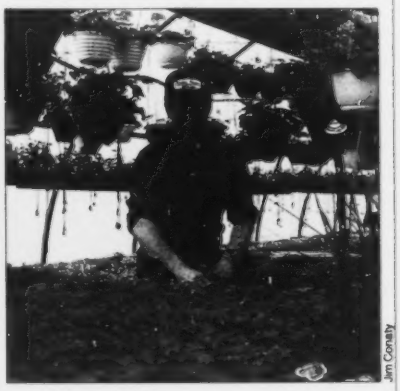
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Cover photo
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HEDGING BETS

Contracts May Help Small Stocks

SMALL COMPANIES TRADING over the counter have a tough time attracting dollars from such conservative investors as pension-fund managers, who prefer to take their roller-coaster rides in amusement parks. But new financial instruments that are due next winter may reduce the risk and help companies raise money.

TERRY LEE/BLACK STAR

The Chicago Board of Trade plans to begin trading options on 100 of the largest NASDAQ stocks.

Pending regulatory approval, the National Association of Securities Dealers and the Chicago Board of Trade plan to begin trading put-and-call options and futures contracts on an index of about 100 of the largest nonfinancial NASDAQ stocks. By trading these contracts, investors can bet on whether the over-the-counter market—represented by the stocks on the index—will go up or down. Several indexes already exist for stocks listed on the New York and American exchanges.

The effect of index options is a matter of controversy, but some experts say these options could open new sources of capital for small companies. Investors can use them as side bets to hedge investments in individual stocks. Such hedges "will make all the underlying stocks of the index more attractive for purchase," says Alvery Bartlett, president of Stock Index Futures Inc., a St. Louis–based brokerage. Institutional investors who think that lightly capitalized companies are too risky may reconsider. Established small companies may find it somewhat easier to issue new stock, and stock prices in general might creep slightly higher.

Index contracts guard against changes only in general market conditions. So stocks that move independently of the market are less likely to benefit from index contracts.

—Virginia Inman
INSIDER (continued)

"ENIAC, the first important digital computer, never lived up to its potential, because tubes kept burning out in the middle of its computations. The Army . . . finally stationed a platoon of soldiers manning grocery baskets filled with tubes at strategic points around the computer; this proved little help, because the engineers could never tell which of the machine's 18,000 vacuum tubes had burned out at any particular time. The warmth and soft light of the tubes also attracted moths, which would fly through ENIAC's innards and cause short circuits. Ever since, the process of fixing computer problems has been known as 'debugging.' "

—The Chip, by T.R. Reid. Copyright 1985. Reprinted by permission of Simon & Shuster Inc.

SCORECARD

Take It Away, Mom and Pop

Americans are spending lavishly on their images, whether they want to dye their hair a brighter color or to cast their companies in a better light. Restaurants and gas stations are still the most common establishments, but beauty parlors and public relations firms are the fastest-growing categories among the top 20 small businesses, according to Dun & Bradstreet figures.

The do-it-yourself ethos exemplified by the hardware store seems to be ebbing. In its place is a get-somebody-else-to-do-it attitude and a boom in service businesses—everything from plumbers and electrical contractors to local truckers and auto repair shops. Consumers seem too busy even to mix their own drinks—from 1979 to 1984 the number of bars grew one third faster than the number of liquor stores.

What follows are the rates of growth and contraction among the most common businesses with annual sales of less than $1 million. Take it away, Mom and Pop. *—V.I.*

Rank	Business	1984 Number	1979-84 % growth
1.	Eating establishments	174,876	16.5
2.	Gasoline service stations	100,213	-0.3
3.	Drinking establishments	95,246	34.9
4.	Grocery stores	95,127	9.3
5.	Plumbing/heating/air-conditioning	84,721	57.5
6.	General auto repair shops	62,949	59.4
7.	Gift/novelty shops	59,762	12.8
8.	Electrical work	55,948	66.2
9.	Sporting goods/bicycle stores	47,952	9.2
10.	Automotive home supply stores	47,645	7.6
11.	Local trucking without storage	46,129	76.8
12.	Management/public relations	44,697	181.9
13.	Furniture stores	44,336	-3.0
14.	Women's ready-to-wear	44,274	-1.5
15.	Liquor stores	41,639	22.0
16.	Hotels/motels/tourist cottages	37,948	65.7
17.	Beauty shops	37,310	153.2
18.	Hardware stores	34,017	-3.4
19.	Engineering/architectural services	33,859	110.8
20.	Auto equipment (wholesale)	33,177	-2.2

Source: The Dun & Bradstreet Corp., Dun's Census of American Business